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Thailand

Grain and Feed

2007/08 Rice Crop Survey: Higher Production than Expected

2007

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Report Highlights:

2007/08 rice production is revised upward due to yield improvement from favorable weather conditions. Despite this increase in production, market prices will likely remain high through the first quarter of 2008 as foreign demand remains strong. The government will continue to carefully reduce its old-crop intervention stocks as to not affect the current high prices for all grades of rice.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Bangkok [TH1]
[TH]

Higher 2007/08 rice production than expected

MY 2007/08 rice production is revised upward to 18.6 million tons, an increase of nearly 2 percent from the previous year. The upward revision reflects yield improvements due mainly to favorable weather conditions, particularly for the main crop. Around 60-70 percent of main crop has been harvested at 14.1 million tons, up around 3 percent from the previous year. However, fragrant rice production, which accounts for around 20 percent of total rice production, is expected to decline slightly to approximately 3.6 million tons due to a reduction in planted area. Farmers reportedly shifted to glutinous rice cultivation, particularly in the upper northeastern and the northern provinces where glutinous prices, and demand from China, are strong. Last year, average glutinous prices reached 10,800 baht/ton (\$285/MT), higher than fragrant-rice paddy prices which were at around 8,300 baht/ton (\$219/MT). MY 2007/08 glutinous rice production will likely return to a normal production level of 4.0 – 4.5 million tons. In addition, white rice production is expected to increase to 10.5 million tons due to an yield improvements following favorable rainfall for the main crop. Current attractive white rice prices will likely result in an acreage expansion of the second crop.

Market prices remain high despite good harvest

Despite main crop harvest being largely completed, domestic prices of Thai rice should remain high through the first half of next year due to continued strong export demand. Market prices are currently 10-15 percent higher than this time last year, and 3-7 percent higher than the government intervention prices. Farmers are expected to have higher income this year, even for those whose crops were reportedly affected by a lack of rain earlier in the year.

Promising rice exports in CY 2007 – 2008

Strong foreign demand is expected to push rice exports to nearly 9 million tons in CY 2007-2008. Thai rice exports increased to a record 1.1 million tons in October 2007, and will likely continue this trend in the last quarter of CY 2007 due to the current rice export bans among major competitors Vietnam and India. The current Vietnamese ban on rice exports will benefit Thai rice exports to the African market until the first of quarter of next year when new supplies of Vietnamese rice become available. Meanwhile, India's ban on non-basmati rice exports will boost Thai parboiled rice exports in the last quarter of this year through next year. Also, anticipated low ending stocks of major exporters will put upward pressure on Thai rice prices in 2008 for all grades of rice. Currently, premium grade white rice is quoted up to \$350-360/MT, FOB, as compared to \$315-320/MT in the beginning for the year. Prices of low-grade white rice are up to \$320/MT, as compared to \$240/MT in the beginning of the year. Prices of parboiled rice have reached a record \$365/MT, as compared to \$310-315/MT in the beginning of the year.

Less attractive government intervention program

The Government still runs the intervention program for 2007/08 crops. Intervention prices were set around 300 baht/ton (\$9/MT) higher than the previous year. However, with market prices more attractive than the intervention prices, most farmers are selling their paddy directly to local rice mills. Competition among rice mills has intensified following strong export demand.

The Government is expected to carefully reduce its old-crop intervention stocks to a minimal level this year, presumably with no impact on market prices. The outstanding intervention stocks should be around 1-2 million tons by the end of this year, as compared to 3-4 million tons in the beginning of the year.

End of report.